



January 28, 2011

To: Executive Board

Subject: **Fiscal Year 2011 Financial Statements and Investment Summary – October 2011**

Recommendation

Receive and file the Financial Statements and Investment Summary for Fiscal Year 2011.

Analysis

The attached Financial Statements and Investment Report summarize Foothill Transit's unaudited operations and financial condition for the four months of the fiscal year ending June 30, 2011.

Foothill Transit's cash position of \$39.1 million is \$2.0 million more than the previous month. This increase of cash is the net change between the uses of cash and sources of cash. Uses of cash include an operating loss of \$1.2 million; an increase in account receivable of \$20,400. Sources of cash consisted of decrease in due from other governments of \$2.9 million and a decrease in accounts payable of \$390,000.

October 2010 fare revenues were \$1.5 million, which is 18.6 percent more than the monthly budgeted amount. This is the fourth month in which revenues have exceeded the monthly budgeted amount. It is difficult to isolate the factors responsible for this increase. A fare increase was implemented along with service refinements to improve fare revenues. The combination of these factors may have positively impacted fare revenues more than reflected in the budget. Recent economic forecasts are also indicating an improvement; however unemployment continued to remain at double digits.

Operating costs through October were \$20.3 million, which is \$1.1 million less than the budget. These costs are \$2.1 million or 9.4 percent less than for the same period one year earlier. Foothill Transit had sufficient funds to meet all of its obligations.

Balance Sheet Analysis (Attachment A):

Assets

The balance sheet as of October 31, 2010 shows total assets at \$207.3 million. This total consists primarily of \$158.8 million in fixed assets and \$39.1 million in cash and investments. The cash and investments balances include \$5.0 million invested in the Local Agency Investment Fund (LAIF), \$24.8 million in non-interest bearing accounts held with Bank of the West, \$3.3 million with Chase, \$4.0 million invested in FDIC

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insured Certificates of Deposits earning interest through the Certificate of Deposits Account Registry Service (CDARS) program and \$2.0 million in US Treasury Bills.

Investments (Attachment B)

Our current investments are held in financial instruments pursuant to Foothill Transit's investment policy. Funds held with Bank of the West are in non-interest earning accounts to qualify for FDIC insurance, eliminating the risk of loss. The LAIF investment, the CDARS investments, the deposits with Chase and US Treasury Bills earn interest and are held for future capital and operating funding requirements. These accounts earn interest; however at a very low rate. The LAIF interest rate as of October 2010 was 0.48 percent; slightly less than the previous month's rate of 0.50 percent. The most recent change in the prime interest rate was effective December 16, 2008 reducing it to 3.25 percent. While the prime has not changed in almost two years, LAIF interest rates have continued a downward trend.

Liabilities

The accounts payable balance is \$7.1 million. \$5.6 million of this amount represents the amount due and payable to the operations and maintenance contractors for October and September services. Other amounts payable include fuel costs of \$430,000 and Monrovia Dial-A-Ride service of \$45,500.

Operating Revenue and Expense Analysis (Attachment C):

Fare Revenue

October 2010 fare revenue of \$1.5 million was 18.6 percent more than the monthly budgeted amount and \$92,000 more than September 2010 revenue. The monthly average revenue through October is \$79,800 or 5.8 percent more than the prior year monthly average.

October revenues continue the positive trend experienced since the beginning of the fiscal year. October year-to-date revenues are 12.8 percent more than the previous year and 12.5 percent more than the budget; and the average monthly revenue is 5.8 percent more than fiscal year 09-10 average monthly revenue. These could be indicators that the economy may be improving, even though recent unemployment figures have indicated increased unemployment.

State and Local Funding Subsidies of \$11.1 million (consisting of Transportation Development Act funds, Proposition A and C grants, and other income) were approximately 33.6 percent less than planned for in the budget. This is normal at the beginning of a new fiscal year. Metro has to implement the payment process which can take two or more months before payments can be processed. Foothill Transit has sufficient funds to meet all of its obligations.

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Expenses

October 2010 year-to-date operating expenses were \$20.3 million, compared with the budget of \$21.5 million. This difference of approximately \$1.1million resulted in a 5.27 percent favorable variance. The majority of this favorable variance is the result of fuel cost savings of \$ 1.1 million. It should be noted that the October 2010 year-to-date expenses of \$20.3 million are \$2.1 million less than the prior fiscal year.

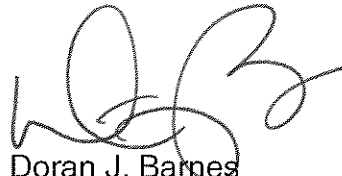
Farebox Recovery Ratio

The October 2010 year-to-date farebox recovery ratio was 28.56 percent. This is 6.01 percent more than the performance target of 22.55 percent. The farebox recovery ratio was derived by dividing the total fare revenue figure of \$5,804,279 by the total operating expense figure of \$20,321,841. This ratio has increased 0.72 percent from the September 2010 figure of 27.84 percent.

Sincerely,



Richard Hasenohrl
Director of Finance



Doran J. Barnes
Executive Director

Attachments

Foothill Transit
Balance Sheet
As of October 31, 2010

Assets

Current Assets:

| | |
|--|------------------------------|
| Cash | \$ 24,871,298 |
| Investment - LAIF | 14,276,412 |
| Due from government agencies | 7,051,764 |
| Other receivables | 1,708,733 |
| Other assets | 518,675 |
| Total Current Assets | <u>48,426,883</u> |
| Property & Equipment (net of depreciation) | 158,894,901 |
| Total Assets | <u><u>\$ 207,321,784</u></u> |

Liabilities and Equity

Current Liabilities:

| | |
|--|-------------------|
| Accounts payable and accrued liabilities | \$ 7,115,641 |
| Current portion of long term debt | |
| Long Term debt: | 1,000,000 |
| Deferred Revenue | <u>20,227,601</u> |
| Total Liabilities | <u>28,343,242</u> |

Equity

| | |
|-----------------------------------|------------------------------|
| Investment in Fixed Assets (net): | |
| Fund Balance: | <u>178,978,542</u> |
| Total Equity | <u>178,978,542</u> |
| Total Liabilities and Equity | <u><u>\$ 207,321,784</u></u> |

Summary of Cash and
Investment Account
For October 31, 2010

| | Interest Rate | Term | Principal Amount/Book Value | Market Value |
|---|------------------|------------------|-----------------------------------|---------------------|
| Cash: | | | | |
| Bank of the West-Reg. Checking | N/A | Demand Deposit | \$16,852,590 | \$16,852,590 |
| Petty Cash | N/A | N/A | 400 | 400 |
| Revolving Fund - Transit Stores | N/A | N/A | 1,500 | 1,500 |
| Bank of the West-Excise Tax | N/A | Demand Deposit | 3,991,237 | 3,991,237 |
| Bank of the West-CTAF ³ Fund | 0.750% | Demand Deposit | 327,248 | 327,248 |
| Bank of the West-Bus. Checking | N/A | Demand Deposit | 3,698,323 | 3,698,323 |
| Subtotal Cash on Hand | | | 24,871,298 | 24,871,298 |
| Unrestricted Investments: | | | | |
| Chase Business Saving | 0.760% | Demand Deposit | 3,293,914 | 3,293,914 |
| Bank of the West-CDARS | N/A | Cert. of Deposit | 4,000,000 | 4,000,000 |
| Treasury Bills | | | 1,998,989 | 1,998,989 |
| LAIF Investment | 0.090% | Demand Deposit | 4,983,510 | 4,983,510 |
| Subtotal Unrestricted Investments | | | 14,276,412 | 14,276,412 |
| Total Cash and Investments | | | <u>\$39,147,710</u> | <u>\$39,147,710</u> |

Notes:

- 1) The investments listed above are in compliance with Foothill Transit's Investment Policy dated July 22, 2004.
- 2) Foothill Transit has the ability to meet its expenditure requirements for the next six months.
- 3) California Transit Assistance Funds

Foothill Transit
Statement of Revenue and Expense
For Month Ended October 31, 2010

| | Actual October-10 | Budget October-10 | Variance Favorable (Unfavorable) | Actual October-09 |
|---|----------------------|----------------------|--|----------------------|
| Operating Revenue | | | | |
| Farebox | \$3,691,279 | \$3,626,067 | 1.80% | \$3,511,448 |
| Pass Sales | 957,132 | 738,367 | 29.63% | 667,271 |
| TAP Cash Purse | 756,011 | 395,133 | 91.33% | 586,641 |
| MetroLink | 10,009 | 7,400 | 35.26% | |
| EZ Transit Pass | 389,849 | 393,100 | (0.83%) | 377,685 |
| Total Operating Revenue | 5,804,279 | 5,160,067 | 12.48% | 5,143,045 |
| Non-Operating Revenue | | | | |
| Transportation Development Act (TDA) | | 4,603,333 | (100.00%) | 5,446,616 |
| Prop A 40% Discretionary | 4,246,928 | 3,860,933 | 10.00% | 4,014,412 |
| Prop A & C Interest | | | | 1,146,198 |
| Prop A 40% BSCP | 547,518 | 974,400 | (43.81%) | 1,113,820 |
| Transit Security-Operating | 181,253 | 181,800 | (0.30%) | 223,455 |
| Prop C Base Restructuring | 580,364 | 520,000 | 11.61% | 556,484 |
| Prop C Transit Service Expansion | 96,711 | 75,533 | 28.04% | 94,398 |
| Prop C BSIP | 270,199 | 211,000 | 28.06% | 263,738 |
| STA | 1,275,108 | 1,233,333 | 3.39% | 1,553,731 |
| Measure R Operating | 2,470,224 | 2,155,933 | 14.58% | 1,476,380 |
| Excise Tax Credit | | | | |
| FTA Sec 5307 Operating | 476,041 | 1,666,667 | | |
| FTA Sec 5307 ARRA | 397,988 | 666,667 | (40.30%) | |
| Auxiliary Revenue | 521,194 | 500,000 | 4.24% | 958,577 |
| Total Non-Operating Revenue | 11,063,529 | 16,649,599 | (33.55%) | 16,847,809 |
| Total Revenue | 16,867,808 | 21,809,666 | (22.66%) | 21,990,854 |
| Available Capital Funding | | | | |
| Capital Grants | 10,986,370 | | | 1,460,194 |
| Other | | | | |
| Total Revenue and Capital Funding | 27,854,178 | 21,809,666 | | 23,451,048 |
| OPERATING EXPENSES | | | | |
| Operations | 17,119,365 | 18,523,067 | 7.58% | 19,469,351 |
| Marketing and Communications | 484,295 | 408,867 | (18.45%) | 388,695 |
| Information Technology | 437,854 | 434,867 | (0.69%) | 278,315 |
| Administration | 669,121 | 607,833 | (10.08%) | 700,877 |
| Sales and Service | 561,443 | 563,967 | 0.45% | 536,609 |
| Finance | 353,683 | 356,633 | 0.83% | 341,866 |
| Safety and Security | 211,717 | 252,833 | 16.26% | 233,361 |
| Planning | 227,681 | 220,800 | (3.12%) | 240,353 |
| Building Management | 256,682 | 82,467 | (211.26%) | 240,042 |
| Total Operating Expenses | 20,321,841 | 21,451,333 | 5.27% | 22,429,469 |
| Capital and Other Expenses | | | | |
| Capital | 11,025,740 | | N/A | 1,360,194 |
| Interest | | | N/A | |
| Special Services | 81,210 | | N/A | 231,350 |
| Dial-A-Ride | 192,986 | | N/A | 195,677 |
| Other Misc. expense | 19,253 | | N/A | |
| Total Capital and Other Expenditures | 11,319,189 | | N/A | 1,787,221 |
| Increase (Decrease) of Revenues Over Expenditures | \$ (3,786,851) | | | \$ (765,642) |